

Budget 2024 Highlights

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Introduction

Budget 2024 has been presented by Hon'ble Finance Minister Mrs. Nirmala Sitaraman. This was her consequent seventh budget presented in NDA government. In the budget various announcement have been made. Focal Point of the Budget was 4 major castes, namely 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata' (Farmer). Many schemes and programmes have been launched / extended considering these four castes.

Also, various amendments have been proposed in Direct Taxes. The most significant amendment is made by overhauling the Capital Gain Tax wherein tax on sale of shares has been increased. Though, the period of holding and tax rate for long term capital asset, except listed securities, has been reduced and the benefit of indexation has been done away with.

Further, block assessment has been reintroduced which was abolished lately in 2021 budget. Also time for reassessment under section 148 of Income Tax Act has been reduced from 10 years to 5 years which was also changed earlier in 2021 from 6 to 10 years.

Provisions relating to TDS and TCS have seen most of the changes in this budget wherein most prominent amendment is decriminalization of delay in TDS deposition. TDS rate on payments of various nature have been proposed to be reduced.

In this write up we have given brief yet meaningful summary of the amendment proposed through this budget in direct taxes. Hope you will find it of some use in your business endeavour.

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01

Amendments for Individuals

Amendments for Individuals

Tax Rate

Income tax rate in new regime as specified u/s 115BAC is as proposed below

S. No.	Total Income	Tax Rate
1.	Upto Rs. 3,00,000	Nil
2.	From Rs. 3,00,001 to Rs. 7,00,000	5%
3.	From Rs. 7,00,001 to Rs.10,00,000	10%
4.	From Rs. 10,00,001 to Rs. 12,00,000	15%
5.	From Rs. 12,00,001 to Rs. 15,00,000	20%
6.	Above Rs. 15,00,000	30%

Surcharge and education cess on above income tax under new tax regime shall remain same.

The above new tax regime shall be default tax regime and shall apply to all individuals. Assessee who wants to opt for old tax regime has to exercise the option for the same. Other conditions to opt above new tax regime remains same as earlier.

Income tax rate, Surcharge and cess for individuals under old tax regime remains same.

Standard deduction from salary

For individual assessee who opt for new tax regime, standard deduction from salary has been proposed to be increased from 50,000 to 75,000/-.

Amendments for Individuals

Deduction from family pension

Deduction from family pension is allowed equivalent to the amount of $\frac{1}{3}$ of total pension or Rs. 15,000, whichever is less. The limit of Rs. 15,000 has been proposed to increase to Rs. 25,000/-

Increase in deduction to employees for contribution to a Pension Scheme U/s section 80CCD

It is proposed to amend sub-section (2) of section 80CCD of the Act, to provide that where such contribution has been made by any non-government employer, the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary. This will be allowed only in the case where the employee's salary is chargeable to tax under new regime.

Allowing credit for TCS collected/TDS for computing TDS on Salary by employer

TDS / TCS deducted or collected by any person other than employer is not considered while calculating the TDS on salary by employer. This led to the more cash outflow on part of employee and he has to claim refund of the same.

In order to ease this, section 192 is proposed to be amended to provide the credit of TDS / TCS to be taken into account for the purposes of making the deduction of tax on salary under sub-section (1) of section 192.

Amendments for Individuals

Quoting Aadhar enrolment ID is discontinued.

It was mandatory to quote Aadhaar number in PAN application and ITR. Person who does not possess the Aadhaar Number was allowed to mention Enrolment ID of Aadhaar application. W.e.f. 01.10.2024 quoting Aadhaar number shall be mandatory and enrolment ID of Aadhaar application shall not be allowed.

It is further proposed that every person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

Exemption from disclosure of foreign assets upto specified value

It is mandatory for assessee who is resident and ordinarily resident to disclose all foreign assets and income from such foreign assets in the Income Tax Return. Failure to furnish such detail in ITR may attract a penalty, under section 42 or 43 of Black Money Act, amounting to ten lakh rupees regardless of the value of asset located outside India.

It has been proposed to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed twenty lakh rupees.

02

Amendments for Business Entity



Amendments for Business Entity

Tax Rate

Income tax rate, Surcharge and cess for companies, firm and LLP shall remain same.

Settlement amounts being paid to settle contraventions to be disallowed u/s 37

It is proposed to amend section 37 of the Act to clarify that "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall include any expenditure incurred by an assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf. Thus, any amount paid for settlement of contravention of law to be disallowed.

Limit of remuneration to working partners of a firm allowed as deduction increased

Limit of remuneration to working partners in a partnership firm, which is allowed as deduction has been proposed to increase. Proposed revised are as below

a)	on the first Rs. 6,00,000 of the book profit or loss	Rs. 3,00,000 or 90% of the book profit, whichever is more
b)	on the balance of the book-profit	at the rate of 60%

Issue of share by company at more than FMV

As per the provisions of section 56(ii)(viib) if the consideration received for issue of shares of company, not being a company in which the public are substantially interested, exceeds the face value of such shares, the aggregate consideration received for such shares exceeding such fair market value shall be chargeable to income tax under the head "Income from other sources".

It has been decided by the Government to sun-set the provisions of this clause.

Amendments for Business Entity

Tax on buy-back of shares

On buy back of Shares by a company, tax is payable by a company at the rate of 20% as prescribed under section 115QA.

Since, buy-back are methods for the company to distribute accumulated reserves and thus ought to be treated at par with dividend. It is therefore, proposed that, the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates.

No deduction for expenses shall be available against such dividend income while determining the income from other sources. The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares.

Taxes withheld outside India to be included in total income

Section 198 of the Act provides that TDS deducted, in accordance with the provisions of Chapter XVII-B shall, for the purpose of computing the income of an assessee, be deemed to be income received.

However there is no specific provision for inclusion of tax withheld outside India to be included in total income. In order to address this issue, section 198 is proposed to amend to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received.

Amendments for Business Entity

Rental income from house property not taxable under PGBP

Section 28 of the Act has been proposed to be amended so as to clarify that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head “Profits and gains of business or profession” and shall be chargeable under the head “Income from house property”.



03

Amendments in Assessment and Appeals

Amendments in Assessment and Appeals

Time limit to issued notice for reassessment under section 148 reduced

As per current prevailing provisions, time limit to issue notice is within 3 years from the end of relevant Assessment year and in case of income escaping assessment is Rs. 50 Lakhs or more notice can be issued within 10 Years from the end of the relevant Assessment Year. The new proposed limits for issue of notices are as tabulated below:

Amount of Income escaped	Notice U/s 148A	Notice U/s 148
Income Escaped or likely to escape is less than 50 Lakh	3 Years from end of relevant AY	3 Years and 3 Months from end of relevant AY
Income Escaped or likely to escape is 50 Lakh or more	5 Years from end of relevant AY	5 Years and 3 Months from end of relevant AY

Apart from this, provisions of section 148A and section 148 have been proposed to be amended in order to simplify the reassessment process and to reduce litigation.

Block Assessment in Search cases

Provisions of block assessment under section 153A and 153C was abolished vide Finance Act 2021. However, in view of the various difficulties faced by the department as well as assesses due to staggered assessment, block assessment is reintroduced. This shall be applicable on search initiated on or after 01.09.2024.

Power of CIT (Appeal)

In the cases where assessment order was passed as best judgement case under section 144 of the Act, Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for making a fresh assessment.

It is also prescribed that AO has to complete the said assessment within 1 year from the end of the financial year in which such order was passed by CIT(Appeal).

04

Amendment in Provisions of TDS and TCS



Amendment in Provisions of TDS and TCS

Reduction in rate of TDS

Rate of tax deduction at source has been reduced on various payment. new proposed rate is tabulated as under:

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D -Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA -Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G -Commission etc. on sale of lottery tickets	5%	2%	1.10.2024
Section 194H -Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB -Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M -Payment of Work Contract, Commission, Professional fees by certain individuals or Hindu undivided family	5%	2%	1.10.2024
Section 194-O -Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194F -relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1.10.2024

Amendment in Provisions of TDS and TCS

TDS on purchase of immovable property

TDS @ 1% is required to be deducted on purchase of immovable property. Further, no deduction of tax was required to be made where the consideration for the transfer of property and the stamp duty value of such property, are both less than fifty lakh rupees. However, In case of Joint buyer, it was ambiguous if the amount paid by each buyer is less than 50 Lakh, whether TDS is required to be deducted.

It is proposed to amend section 194-IA in order to clarify that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property. Thus, TDS is required to be deducted on purchase of immovable property if total consideration of property or stamp duty value is more than 50 Lakh.

TDS on salary, remuneration, interest, bonus or commission paid to partners

It is proposed to insert new section 194T to bring any amount paid or credited as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS if aggregate amounts is more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.

TCS on Luxury Goods

Considering the increase in expenditure on luxury goods by high net worth persons and for proper tracking of such expenses, it is proposed to amend section 206C(1F) to levy TCS on any other goods of value exceeding ten lakh rupees, as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods.

Amendment in Provisions of TDS and TCS

Claiming credit for TCS of minor in the hands of parent

There is no provision under Income Tax Act to allow credit of TCS to any other person (eg. parent) other than the collectee. It is, therefore, proposed to introduce a provision in section 206C of the Act, to allow the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent.

Certain persons or class of persons as exempt from TCS

In view of the difficulty faced by certain taxpayers whose income is exempt or who are not required to file ITR, it is proposed to amend section 206C to provide that no TCS shall be collected or it shall be collected at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.

Extending the scope for lower deduction / collection certificate of tax at source

Currently there is no provision to obtain lower deduction certificate under section 197 in case of TDS on purchase of goods [Section 194Q] and TCS on sale of Goods [Section 206C(1H)]. Amendment has been proposed to include 194Q and 206C(1H) under the ambit of section 197. Thus, lower deduction certificate may be obtained by buyer / seller of goods w.e.f 01.10.2024.

Interest rates on delay in payment of TCS

Interest on late payment of tax collected at source has been proposed to be increased from 1% to 1.5% per month or part of the month on the TCS amount from the date on which such tax was collected till the dated tax is deposited.

Amendment in Provisions of TDS and TCS

Decriminalization of delay in payment of TDS

Section 276B of the Act provides for prosecution in case of failure to pay TDS deducted by the deductor. In order to ease the rigour of the provisions, it has been proposed to provide for exemption from

From prosecution to the deductor, if the payment of tax deducted in respect of a quarter has been deposited at any time on or before the due date of filing the TDS return for such quarter.

Penalty for failure to furnish TDS and TCS statements

Section 271H of the Act provides for penalty for failure to file Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) returns/ statements within the due date. Section 271H(3) further states that no penalty shall be levied if the person has filed the TDS/TCS statement before the expiry of period of one year from the time prescribed for furnishing such statement.

The said period of one year has been proposed to be reduced to one month. Thus penalty under section 271H may be levied if TDS / TCS return is filed one month after the due date of filing of such return.

Time limit to file correction statement in respect of TDS/ TCS return

As per the current provisions of Act, there is no time limit for furnishing correction statements of TDS and TCS. It is therefore proposed to amend that no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the TDS / TCS statement are filed.

Amendment in Capital Gain Provisions

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Amendment in Capital Gain Provisions

Criteria to determine type of capital assets amended

For determining the nature of capital assets i.e. Short term capital assets and long term capital assets below amendments have been proposed:

Type of Assets	Long term capital assets if Holding Period is	Short term capital assets if Holding Period is
Listed Securities	More than 12 Months	12 Months or less
Other Assets	More than 24 Months	24 Months or less

Tax rate on short term capital gain

Rate for short-term capital gain under provisions of section 111A of the Act on STT paid equity shares, units of equity oriented mutual fund and unit of a business trust is proposed to be increased to 20% from the present rate of 15%.

Tax rate on long term capital gain

Rate of Long term capital gain has been proposed to 12.5% for all type of assets i.e. tax rate on LTCG on listed securities and other assets shall be 12.5%. with the reduce rate benefit on long term capital assets (except listed securities) benefit of indexation has been done away with. Thus, from now onwards no benefit of indexation shall be allowed with tax rate of 12.5%.

06

Amendments relating to International Taxation



Amendments relating to International taxation

Reduction in Tax Rates of Foreign Companies from 40% to 35%

The Budget 2024, has proposed to reduce the tax rate in case of Foreign Companies from current 40% to 35%. This amendment is w.r.t. the incomes other than those falling under Chapter XII (section 115A, etc.) which are taxed at special rates.

Withdrawal of provisions of Equalisation Levy on Foreign E-Commerce Operators

The scope of Equalisation Levy was enlarged by Finance Act 2020 creating responsibility on Foreign E-Commerce Operators to impose EL of 2% on amounts received for facilitating Sale of Goods or Services through its platform used by a person resident in India or a non-resident through an IP Address in India.

It has been proposed to delete this provision of levying equalisation levy on such receipts by Foreign E-Commerce Operators.

Penalty for failure to furnish statement by liaison office of Non-resident

A non-resident having a liaison office in India, is required to prepare and deliver a statement in Form 49C in respect of its activities in a financial year within sixty days from the end of such financial year under section 285 of the Act

It is proposed that failure to furnish statement may attract a penalty of one thousand rupees for every day for which the failure continues, if the period of failure does not exceed three months; and one lakh rupees in any other case. A new section 271GC is proposed to be inserted in this regard. penalty shall not be leviable if the assessee proves that there was reasonable cause for the said failure

Amendments relating to International taxation

Amendment to provisions of Section 92CA to cover any new Specified Domestic Transaction identified during course of Transfer Pricing proceedings

The Budget has widened the power of the Transfer Pricing Officer to cover any new Specified Domestic Transaction, identified during the TP assessment proceedings u/s 92CA, which was not reported in the Transfer Pricing Certificate.

This amendment is a kind of clarificatory in nature as specific provision to cover unreported International Transaction was already there in section 92CA(2A)/(2B), however, it was not specifically covering Specified Domestic Transaction, hence, this amendment.

This amendment shall be applicable from AY 2025-26 onwards.

Expansion of scope of Safe Harbour Rules and streamlining Transfer Pricing assessment procedure

The Budget Speech of the Hon'ble Finance Minister contained reference to the Safe Harbour Rules and Transfer Pricing assessment procedure. The Hon'ble Finance Minister specifically stated that the scope of Safe Harbour Rules will be expanded to reduce litigation and provide certainty in international taxation covering new industries. The Safe Harbour Rules as notified earlier are expected to be amended to cover some more businesses.

Also, it was stated by Finance Minister that Transfer Pricing assessment procedure shall be simplified. In line with the announcement made certain procedural guidelines for streamlining the TP Assessment proceedings shall be issued.



07

Other
Amendments

Other Amendments

Penalty under Benami Property

Under the Prohibition of Benami Property Transactions Act, 1988 for offence under the act, there is imprisonment for 1 to 7 years along with fine upto 25% of the FMV of the benami property for a benamidar or a beneficial owner.

It has been proposed that immunity from penalty may be granted to benamidar by initiating officer, with previous sanction of competent authority, if benamidar makes a full and true disclosure of the whole circumstances relating to the benami transaction.

The said immunity may be withdrawn by initiating officer, with previous sanction of competent authority, if benamidar does not comply with the condition on which the immunity was granted or willfully conceal anything or is giving false evidence.

Amnesty Scheme

The pendency of litigation at various levels has been on the rise due to larger number of cases going for appeal than the number of disposals. Keeping in view the success of the previous Vivaad Se Vishwas Act, 2020 and the mounting pendency of appeals at CIT(A) level, introduction of a Direct Tax Vivad se Vishwas Scheme, 2024 is proposed with the objective of providing a mechanism of settlement of disputed issues, thereby reducing litigation without much cost to the exchequer.

It is proposed that this Scheme shall come into force from the date to be notified by the Central Government. The last date for the Scheme is also proposed to be notified.

Merger of trusts under first regime with second regime

There are two ways to claims exemptions by Charitable Trusts and Institutions. One is under section 10(23C) i.e. first regime and another is under section 11 to 13 i.e. second regime. Since both the sections provide similar benefits to all charitable trusts and institutions, in order to simplify the process, it is proposed that the exemption under section 10(23C) be sunset and trusts, funds or institutions be transitioned to the second regime in a gradual manner. Various provisions for transition have been proposed.

Other Amendments

Condonation of delay in filing application for registration by trusts or institutions

In many cases trusts or institutions are unable to file application for registration within specified timelines. In case the trust or institution is unable to apply for registration within time specified, it may become liable to tax on accreted income.

In order to ease the difficulty, It is proposed that the Principal Commissioner/ Commissioner may be enabled to condone the delay in filing application and treat such application as filed within time. The delay may be condoned if he considers that there is a reasonable cause for the same.

Increase in Rate of Security Transaction Tax

Nature of Transaction	Current Rate	Proposed Rate
sale of an option in securities	0.0625% of Option Premium	0.1% of Option Premium
sale of a future in securities	0.0125% of price at which "futures" are traded	0.02% of price at which "futures" are traded



THANK YOU!

**In case of any questions
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